

**DAVIS COUNTY COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2014**



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**Davis County Community School District**  
**Board of Education and School District Officials**  
**Year ended June 30, 2014**

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Name	Title	Term Expires
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**Board of Education**  
 (Before September 2013 Election)

Kenneth Wuthrich	President	2015
Rod Lynch	Vice President	2013
Alan Bodkins	Board Member	2013
Alan Johnson	Board Member	2013
Sheryl Wright	Board Member	2013
Doug Dixon	Board Member	2015
Nancy Hougland	Board Member	2015

(After September 2013 Election)

Rod Lynch	President	2017
Kenneth Wuthrich	Vice President	2015
Doug Dixon	Board Member	2015
Nancy Hougland	Board Member	2015
Alan Bodkins	Board Member	2017
Josh O'Dell	Board Member	2017
Sheryl Wright	Board Member	2017

**School District Officials**

Dan Maeder	Superintendent	2014
Betsy Bassett	District Secretary/Treasurer and Business Manager	2014
Rick Lynch	Attorney	Indefinite
Danielle Haindfield		



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
Davis County Community School District  
Bloomfield, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District at June 30, 2014, and the respective changes in financial position and where applicable cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davis County Community School District's internal control over financial reporting and compliance.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 31, 2014

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## **2014 Financial Highlights**

General Fund revenues increased from \$11,775,345 in fiscal year 2013 to \$12,577,377 in fiscal year 2014, while General Fund expenditures increased from \$11,599,076 in fiscal year 2013 to \$12,049,329 in fiscal year 2014. The District's General Fund balance increased from \$1,079,240 at the end of fiscal year 2013 to \$1,653,036 at the end of fiscal year 2014, a 53.17 percent increase.

The fiscal year 2014 General Fund revenue increase was primarily attributable to increases in local sources. Expenses increased 3.54 percent in instruction, 4.55 percent in support services and 4.80 percent in other expenditures.

The District has a solvency ratio of 12.23 percent which is up 4.2 percent from fiscal year 2013. Experts recommend a solvency ratio between 5-15 percent. A district can only impact its solvency ratio by either increasing revenues or by reducing expenditures or a combination of both. The 10 percent across-the-board state budget reduction in revenue in October 2009 affected the district's solvency ratio, but it is beginning to rebound as a result of revenue increases in fiscal year 2014 being greater than the expenditure increase. The district continues to use the cash reserve levy to generate revenue to replace the cash reserve that had to be used following the 10 percent across-the-board state budget reduction. The district's goal is to have a 15 percent solvency ratio in order to prepare for potential state or federal budget reductions or cuts that experts say occur approximately every five years.

The District continued to support professional development for implementation of the Iowa Core Curriculum and for improvement in reading, mathematics, science, technology and character education. Going forward, the District will be involved in the many facets of the Teacher Leadership and Compensation System passed by the legislature in fiscal year 2013.

## **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

*Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

*Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

## **District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

*Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

*Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds and Debt Service Fund.

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund—school nutrition program.

*Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.



**Davis County Community School District  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

<b>Figure A-1</b>							
<b>Condensed Statement of Net Position</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 10,430	9,543	54	32	10,484	9,575	9.5%
Capital assets	11,540	11,782	400	437	11,940	12,219	-2.3%
Total assets	21,970	21,325	454	469	22,424	21,794	2.9%
Long-term liabilities	8,987	9,434	-	-	8,987	9,434	-4.7%
Other liabilities	6,349	5,989	26	15	6,375	6,004	6.2%
Total liabilities	15,336	15,423	26	15	15,362	15,438	-0.5%
Net Position:							
Invested in capital assets, net of related debt	2,740	2,502	400	437	3,140	2,939	6.8%
Restricted	2,600	2,651	-	-	2,600	2,651	-1.9%
Unrestricted	1,294	749	28	17	1,322	766	72.6%
Total Net Position	\$ 6,634	5,902	428	454	7,062	6,356	11.1%

**Financial Analysis of the District as a Whole**

The District has strong fund balances and trend data is improving. Experts in school finance recommend a General Fund solvency ratio between 5-15 percent, and the District is at 12.23 percent. Our trend is improving due to General Fund expenditures not exceeding revenues for the last four years. The District has determined needs in several areas, and is carefully utilizing existing balances to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining quality staff.

**Davis County Community School District  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

Figure A-2 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

<b>Figure A-2</b>								
<b>Changes in Net Position</b>								
<b>(Expressed in Thousands)</b>								
Governmental Activities		Business type Activities		Total District		Total Change		
Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,		
2014	2013	2014	2013	2014	2013	2013-2014		
Revenues:								
Program revenues:								
Charges for service	\$ 969	898	258	244	1,227	1,142	7.4%	
Operating grants, contributions and restricted interest	2,222	2,063	357	311	2,579	2,374	8.6%	
General revenues:								
Property tax	4,441	4,215	-	-	4,441	4,215	5.4%	
Local option sales and service tax	1,045	1,004	-	-	1,045	1,004	4.1%	
Unrestricted state grants	5,362	5,164	-	-	5,362	5,164	3.8%	
Unrestricted investment earnings	16	15	-	-	16	15	6.7%	
Other	190	(260)	-	293	190	33	475.8%	
Total revenues	14,245	13,099	615	848	14,860	13,947	6.5%	
Program expenses:								
Governmental activities:								
Instruction	8,635	8,488	-	-	8,635	8,488	1.7%	
Support services	4,000	3,825	-	-	4,000	3,825	4.6%	
Non-instructional programs	-	-	641	606	641	606	5.8%	
Other expenses	878	899	-	-	878	899	-2.3%	
Total expenses	13,513	13,212	641	606	14,154	13,818	2.4%	
Change in Net Position	\$ 732	(113)	(26)	242	706	129	447.3%	

In the 2013-14 school year:

The District used the Physical Plant and Equipment Levy (PPEL) Fund for infrastructure expenses that included work on the elementary school building, the retaining wall behind the new high school and a new transformer at the high school. There was also some remodeling at the central office building to make room for the director of instruction who will begin work in the district as of July 1, 2014. A new John Deere lawn tractor was also purchased. The District continued with its technology purchases due to the increased need in that area that is always changing. Money will continue to be budgeted for technology expenses for years to come.

Sales tax revenues were also used for technology purchases. Other purchases included a new phone system, a new 77 passenger school bus, and a new vertical (wheelchair) lift at the middle school. Sales tax revenues in the amount of \$801,605 were transferred to the Debt Service Fund for the sales tax revenue bond payments as well as \$40,000 for the Rural Economic Development Loan payment.

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**Figure A-3  
Total and Net Cost of Governmental Activities  
(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$ 8,635	8,488	1.7%	5,894	5,957	-1.1%
Support services	4,000	3,825	4.6%	4,000	3,825	4.6%
Other expenses	878	899	-2.3%	428	469	-8.7%
<b>Totals</b>	<b>\$ 13,513</b>	<b>13,212</b>	<b>2.3%</b>	<b>10,322</b>	<b>10,251</b>	<b>0.7%</b>

The cost of all governmental activities this year was \$13,512,728. The increase of \$301,964, or 2.28 percent, was due to increased costs in the instruction and support services functions attributable to increased employee salaries and benefits. The expense for staff professional development doubled compared to fiscal year 2013. This type of expense will continue to increase due to Education Reform.

The portion of the cost financed by users of the District's programs was \$10,321,360.

The net portion of the governmental activities was financed with \$5,486,154 in property and sales tax and \$5,361,734 in state sources.

### **Business-type Activities**

The District's business-type activity is the School Nutrition Fund. Revenues from these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues in the District's business-type activities increased by \$58,217--from \$556,359 in fiscal year 2013 to \$614,576 in fiscal year 2014. Expenses continued to increase from \$605,998 in fiscal year 2013 to \$640,637 in fiscal year 2014 for a total increase of \$34,639. The biggest increase in expenses was in purchased services followed by salaries and benefits.

### **Financial Analysis of the District Funds**

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

### **Governmental Fund Highlights**

The General Fund balance was \$1,653,036, a net increase of \$573,796 from the prior year, or 53.17 percent.

The fund balance total of all Governmental Funds increased from \$3,772,844 to \$4,291,032. This was an increase of 13.73 percent.

General Fund revenues continue to be affected by adequate and timely supplemental state aid (formerly allowable growth). School districts have a hard time preparing certified budgets when revenue estimates are unknown. Being able to use the Capital Projects Fund for technology expenses has provided some relief for the General Fund.

Early retirement benefits associated with previous early retirement policies are becoming less of a burden on the Management Fund.

### **Business-type Highlights**

The 2014 fiscal year saw revenues increase more than expenses in the School Nutrition Fund. The Healthy Kids Act continues to have a big influence, but the increased revenue in fiscal year 2014 is a good sign that the District is making a recovery from the "implementation dip" felt in fiscal year 2012.

**Davis County Community School District  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

The USDA's request for districts to increase their lunch and breakfast prices to equal the federal reimbursement rate for free and reduced meals is requiring the District to increase its student meal prices some each year. The District does not expect this to increase revenues drastically because it will basically just rearrange revenues from federal to local revenue.

In June 2014 the District started a Summer Lunch Program. Meals were served at noon at both the elementary/middle school building and the high school building. Community volunteers helped transport and serve noon meals at three other locations in the county. The program was very well received and continued until school started again in August.

**Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget," which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance of the budgetary concept does not mean the "actual General Fund cash." It is imperative for patrons of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unassigned General Fund balance) of the District.

**Capital Asset and Debt Administration**

**Figure A-4  
Capital Assets, net of Depreciation  
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 107	107	-	-	107	107	0.0%
Buildings	10,556	10,844	-	-	10,556	10,844	-2.7%
Improvements other than buildings	602	557	-	-	602	557	8.1%
Furniture and equipment	275	274	400	437	675	711	-5.1%
Totals	\$ 11,540	11,782	400	437	11,940	12,219	-2.3%

By the end of fiscal year 2014, the District had invested \$11,540,292, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment.

**Davis County Community School District  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

**Long-term Debt**

<b>Figure A-5 Outstanding Long-Term Obligations (Expressed in Thousands)</b>			
	<b>Total District June 30,</b>		<b>Total Change June 30, 2013-2014</b>
	<b>2014</b>	<b>2013</b>	
Revenue bonds	\$ 8,615	8,980	-4.1%
Notes	260	300	0.0%
Bond premiums	51	54	-5.6%
Early retirement	23	101	-77.2%
Compensated absences	28	28	0.0%
Net OPEB liability	135	104	29.8%
<b>Totals</b>	<b>\$ 9,112</b>	<b>9,567</b>	<b>-4.8%</b>

At year-end, the District had \$8,988,396 in sales tax revenue bond debt and other long-term outstanding debt. This represents a decrease from last year. The revenue bonds, early retirement and the balance of the Rural Economic Development Loan decreased, but Other Post-Employment Benefits (OPEB) liabilities increased.

\$365,000 was paid on the principal debt for the high school building project, and a principal amount of \$8,615,000 remains.

\$40,000 was paid on the no-interest Rural Economic Development Loan through Southern Iowa Electric Coop. The remaining principal amount is \$260,000. The loan is being repaid \$10,000 quarterly beginning in January 2012. Loan repayment will be completed in October 2020. The loan is being repaid from one cent sales tax funds for Capital Projects expenditures.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- Enrollment: Student numbers at the elementary school building are increasing which is always good, but decisions will need to be made regarding accommodations for the increasing students in that building. However, student enrollment at the secondary level decreased as a result of the graduation of a comparatively large senior class and promotion of a relatively small 5<sup>th</sup> grade class.
- Future across-the-board cuts, funding freezes and low supplemental state aid rates (formerly allowable growth)
- Employee contract settlements
- Affordable Care Act: The magnitude of costs associated with the regulations of Health Care Reform is still unknown.
- Potential for future increases in employer share of IPERS
- Funding mechanism for rural school districts' transportation costs that does not directly or indirectly impact funding for the education program
- Planning and preparing for Phase 2 of the high school building project
- Planning and preparing for a new track and football field
- Planning and preparing for a new bus barn
- Planning and preparing for a new baseball field due to loss of the lease where the current field is located
- Upkeep costs for the elementary and middle school buildings
- Requirements of Education Reform

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 South Washington Street, Bloomfield, Iowa 52537-2137.

## **Basic Financial Statements**

**Davis County Community School District**  
**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,850,865	19,667	4,870,532
Receivables:			
Property tax:			
Delinquent	85,733	-	85,733
Succeeding year	4,703,023	-	4,703,023
Accounts	433	-	433
Due from other governments	789,501	16,608	806,109
Inventories	-	18,224	18,224
Prepaid expense	46	-	46
Capital assets, net of accumulated depreciation	11,540,292	399,879	11,940,171
<b>Total assets</b>	<b>21,969,893</b>	<b>454,378</b>	<b>22,424,271</b>
<b>Liabilities</b>			
Excess of warrants over bank balance	87,694	-	87,694
Accounts payable	213,638	6,146	219,784
Salaries and benefits payable	1,119,279	7,307	1,126,586
Due to other governments	12,799	-	12,799
Advances from grantors	2,136	-	2,136
Advances from prepaid lunches	-	10,912	10,912
Accrued interest payable	210,803	-	210,803
Long-term liabilities:			
Portion due within one year:			
Early retirement	17,943	-	17,943
Revenue bonds	380,000	-	380,000
Notes	40,000	-	40,000
Compensated absences	28,540	1,911	30,451
Portion due after one year:			
Early retirement	5,000	-	5,000
Revenue bonds	8,160,360	-	8,160,360
Notes	220,000	-	220,000
Net OPEB liability	134,641	-	134,641
<b>Total liabilities</b>	<b>10,632,833</b>	<b>26,276</b>	<b>10,659,109</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,703,023	-	4,703,023
<b>Net Position</b>			
Net investment in capital assets	2,739,932	399,879	3,139,811
Restricted for:			
Management levy purposes	195,565	-	195,565
Physical plant and equipment	61,869	-	61,869
Debt service	1,189,804	-	1,189,804
School infrastructure	847,804	-	847,804
Student activities	132,151	-	132,151
Categorical funding	172,399	-	172,399
Unrestricted	1,294,513	28,223	1,322,736
<b>Total net position</b>	<b>\$ 6,634,037</b>	<b>428,102</b>	<b>7,062,139</b>

See notes to financial statements.

**Davis County Community School District**  
**Statement of Activities**  
**Year ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
<b>Functions/Programs</b>					
Governmental activities:					
Instruction:					
Regular	\$ 5,534,214	617,041	1,093,971	(3,823,202)	-
Special	1,177,045	88,029	645,519	(443,497)	-
Other	1,923,271	264,152	31,902	(1,627,217)	-
	8,634,530	969,222	1,771,392	(5,893,916)	-
Support Service:					
Student	257,242	-	-	(257,242)	-
Instructional staff	384,475	-	-	(384,475)	-
Administration	1,532,728	-	-	(1,532,728)	-
Operating and maintenance of plant	988,900	-	-	(988,900)	-
Transportation	836,328	-	-	(836,328)	-
	3,999,673	-	-	(3,999,673)	-
Other expenditures:					
Facilities acquisition	-	-	-	-	-
Long-term debt interest	427,771	-	-	(427,771)	-
AEA flowthrough	450,754	-	450,754	-	-
	878,525	-	450,754	(427,771)	-
Total governmental activities	13,512,728	969,222	2,222,146	(10,321,360)	-
Business type activities:					
Non-instructional programs:					
Food service operations	640,637	257,672	356,738	-	(26,227)
Total	\$ 14,153,365	1,226,894	2,578,884	(10,321,360)	(26,227)
General revenues:					
Property tax levied for:					
General purposes				\$ 4,342,089	-
Capital outlay				98,647	-
Statewide sales, services and use tax				1,045,418	-
Unrestricted state grants				5,361,734	-
Unrestricted investment earnings				15,807	166
Other				73,808	-
Gain (loss) on disposal of assets				4,336	-
Contributions not restricted to specific programs				49,963	-
Insurance proceeds				61,412	-
Total general revenues				11,053,214	166
Change in net position				731,854	(26,061)
Net position beginning of year, as restated				5,902,183	454,163
Net position end of year				\$ 6,634,037	428,102

See notes to financial statements.



## Exhibit C

**Davis County Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Debt Service	Capital Projects	Non-Major	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,565,882	597,577	1,350,337	337,069	4,850,865
Receivables:					
Property tax:					
Delinquent	79,875	-	2,052	3,806	85,733
Succeeding year	4,302,412	-	100,610	300,001	4,703,023
Accounts	433	-	-	-	433
Due from other governments	411,737	-	377,764	-	789,501
Prepaid expense	-	-	-	46	46
<b>Total assets</b>	<b>\$ 7,360,339</b>	<b>597,577</b>	<b>1,830,763</b>	<b>640,922</b>	<b>10,429,601</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 182,983	-	17,450	13,205	213,638
Excess of warrants issued over bank balance	87,694	-	-	-	87,694
Salaries and benefits payable	1,119,279	-	-	-	1,119,279
Due to other governments	12,799	-	-	-	12,799
Advances from grantors	2,136	-	-	-	2,136
Total liabilities	1,404,891	-	17,450	13,205	1,435,546
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,302,412	-	100,610	300,001	4,703,023
Total Deferred inflows of resources	4,302,412	-	100,610	300,001	4,703,023
Fund balances:					
Restricted for:					
Categorical funding	172,399	-	-	-	172,399
Debt service	-	597,577	803,030	-	1,400,607
Management levy purposes	-	-	-	195,565	195,565
Student activities	-	-	-	132,151	132,151
School infrastructure	-	-	847,804	-	847,804
Physical plant and equipment	-	-	61,869	-	61,869
Unassigned	1,480,637	-	-	-	1,480,637
Total fund balances	1,653,036	597,577	1,712,703	327,716	4,291,032
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,360,339</b>	<b>597,577</b>	<b>1,830,763</b>	<b>640,922</b>	<b>10,429,601</b>

See notes to financial statements.

**Davis County Community School District**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2014**

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**Total fund balances of governmental funds** \$ 4,291,032

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported as assets in the governmental funds. 11,540,292

Accrued interest payable on long-term liabilities is not due and payable in the current  
period and, therefore, is not reported as a liability in the governmental funds. (210,803)

Long-term liabilities, including bonds payable, early retirement, compensated  
absences and other postemployment benefits payable are not due and payable in  
the current period and, therefore, are not reported as liabilities in the governmental  
funds. Those liabilities consist of:

Revenue bonds payable	\$ (8,615,000)	
Notes payable	(260,000)	
Bond discount, net	125,294	
Bond premium, net	(50,654)	
Early retirement	(22,943)	
Compensated absences	(28,540)	
Other postemployment benefits	(134,641)	(8,986,484)
	<hr/>	<hr/>

**Net position of governmental activities** \$ 6,634,037

See notes to financial statements.

## Exhibit E

**Davis County Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2014**

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local sources:					
Local tax	\$ 4,142,500	-	98,647	199,589	4,440,736
Tuition	703,278	-	-	-	703,278
Other	125,488	6	15,702	261,934	403,130
State sources	6,871,751	-	1,045,471	108	7,917,330
Federal sources	714,360	-	-	-	714,360
Total revenues	12,557,377	6	1,159,820	461,631	14,178,834
Expenditures:					
Current:					
Instruction:					
Regular	5,292,120	-	-	73,002	5,365,122
Special	1,150,259	-	-	-	1,150,259
Other	1,634,686	-	-	257,170	1,891,856
	8,077,065	-	-	330,172	8,407,237
Support services:					
Student	255,205	-	-	-	255,205
Instructional staff	221,169	-	127,164	-	348,333
Administration	1,388,140	-	29,349	104,559	1,522,048
Operation and maintenance of plant	929,645	-	7,200	54,387	991,232
Transportation	727,351	-	84,987	15,269	827,607
	3,521,510	-	248,700	174,215	3,944,425
Other expenditures:					
Facilities acquisition	-	-	87,660	-	87,660
Long-term debt:					
Principal	-	405,000	-	-	405,000
Interest and fiscal charges	-	431,318	-	-	431,318
AEA flowthrough	450,754	-	-	-	450,754
	450,754	836,318	87,660	-	1,374,732
Total expenditures	12,049,329	836,318	336,360	504,387	13,726,394
Excess (deficiency) of revenues over (under) expenditures	508,048	(836,312)	823,460	(42,756)	452,440
Other financing sources (uses):					
Sale of equipment	4,336	-	-	-	4,336
Insurance proceeds	61,412	-	-	-	61,412
Operating transfers in	-	841,605	-	-	841,605
Operating transfers out	-	-	(841,605)	-	(841,605)
Total other financing sources (uses)	65,748	841,605	(841,605)	-	65,748
Net change in fund balances	573,796	5,293	(18,145)	(42,756)	518,188
Fund balances beginning of year, as restated	1,079,240	592,284	1,730,848	370,472	3,772,844
Fund balances end of year	\$ 1,653,036	597,577	1,712,703	327,716	4,291,032

See notes to financial statements.

**Davis County Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2014**

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**Net change in fund balances - total governmental funds** **\$ 518,188**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 230,578	
Capital contributed	-	
Sale of equipment	-	
Gain (loss) on disposal of assets	-	
Depreciation expense	(472,627)	(242,049)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Principal repaid	405,000	
Amortization of bond issuance costs	(7,831)	
Amortization of bond premiums	3,166	400,335

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

8,212

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(233)	
Early retirement benefits	78,267	
Other postemployment benefits	(30,866)	47,168

**Change in net position of governmental activities** **\$ 731,854**

See notes to financial statements.

Exhibit G

**Davis County Community School District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2014**

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 19,667
Accounts receivable	16,608
Inventories	18,224
Capital assets, net of accumulated depreciation	399,879
<b>Total assets</b>	<b>454,378</b>
<b>Liabilities</b>	
Accounts payable	6,146
Salaries and benefits payable	7,307
Advances from prepaid lunches	10,912
Compensated absences	1,911
<b>Total liabilities</b>	<b>26,276</b>
<b>Net Position</b>	
Net investment in capital assets	399,879
Unrestricted	28,223
<b>Total net position</b>	<b>\$ 428,102</b>

See notes to financial statements.

Exhibit H

**Davis County Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year ended June 30, 2014**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 257,672
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	239,115
Benefits	54,958
Purchased services	7,833
Supplies	288,404
Depreciation	50,166
Miscellaneous	161
Total operating expenses	640,637
Operating loss	(382,965)
Non-operating revenues:	
Interest income	166
State sources	4,851
Federal sources	351,887
	356,904
Change in net position	(26,061)
Net position beginning of year	454,163
Net position end of year	\$ 428,102

See notes to financial statements.

**Davis County Community School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year ended June 30, 2014**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 241,804
Cash payments to employees for services	(289,080)
Cash payments to suppliers for goods or services	(222,221)
Net cash used by operating activities	(269,497)
Cash flows from non-capital financing activities:	
State grants received	4,851
Federal grants received	294,732
Net cash provided by non-capital financing activities	299,583
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(13,261)
Net cash used by capital and related financing activities	(13,261)
Cash flows from investing activities:	
Interest on investments	166
Net cash provided by investing activities	166
Net increase in cash and cash equivalents	16,991
Cash and cash equivalents at beginning of year	2,676
Cash and cash equivalents at end of year	\$ 19,667
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (382,965)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	57,155
Depreciation	50,166
Decrease in inventories	11,082
(Increase) in accounts receivable	(16,608)
Increase in accounts payable	5,940
Increase in salaries and benefits payable	4,928
Increase in deferred revenue	740
Increase in compensated absences	65
Net cash used by operating activities	\$ (269,497)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:</b>	
Current assets:	
Cash and cash equivalents	\$ 19,667
Cash and cash equivalents at year end	\$ 19,667

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received \$57,155 of federal commodities.

See notes to financial statements.

Exhibit J

**Davis County Community School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014**

	Private Purpose Trust Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 3,613
<b>Total assets</b>	<b>\$ 3,613</b>
<b>Net position</b>	
Reserved for scholarships	\$ 3,613

See notes to financial statements.



Exhibit K

**Davis County Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2014**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 185
Interest on investments	4
Total additions	189
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	-
Change in net position	189
Net position beginning of year	3,424
Net position end of year	\$ 3,613

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-K through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/Net Position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and change in net position. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances - Proceeds which have been received by the District but will be used in a succeeding fiscal year, such as advances from grantors, or prepaid lunch money.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available mean collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding years property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functions.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments as follows:

Success Bank Certificate of Deposit	\$	2,605
Community First Bank Certificate of Deposit		3,218
Iowa Schools Joint Investment Trust:		
Diversified Portfolio		350
Bankers Trust: ISJIT		
Diversified Portfolio		1,393,862
	\$	<u>1,400,035</u>

The investments in the Iowa School Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 841,605

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Total capital assets not being depreciated	107,275	-	-	107,275
Capital assets being depreciated:				
Buildings	14,623,021	-	-	14,623,021
Improvements other than buildings	1,850,363	114,268	-	1,964,631
Furniture and equipment	1,842,866	116,310	-	1,959,176
Total capital assets being depreciated	18,316,250	230,578	-	18,546,828
Less accumulated depreciation for:				
Buildings	3,779,090	288,260	-	4,067,350
Improvements other than buildings	1,293,351	69,086	-	1,362,437
Furniture and equipment	1,568,743	115,281	-	1,684,024
Total accumulated depreciation	6,641,184	472,627	-	7,113,811
Total capital assets being depreciated, net	11,675,066	(242,049)	-	11,433,017
Governmental activities capital assets, net	\$ 11,782,341	(242,049)	-	11,540,292
<b>Business type activities:</b>				
Furniture and equipment	\$ 630,744	13,261	-	644,005
Less accumulated depreciation	193,960	50,166	-	244,126
Business type activities capital assets, net	\$ 436,784	(36,905)	-	399,879

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 256,496
Special	23,301
Other	31,415

Support services:

Student	1,042
Instructional staff	36,142
Administration	23,822
Operation and maintenance of plant	3,778
Transportation	96,631

Total depreciation expense - governmental activities	\$ 472,627
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Business type activities:

Food service operations	\$ 50,166
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 8,980,000	-	365,000	8,615,000	380,000
Revenue bonds discount	(133,125)	-	(7,831)	(125,294)	-
Revenue bonds premium	53,820	-	3,166	50,654	-
Rural economic development loan	300,000	-	40,000	260,000	40,000
Early retirement	101,210	-	78,266	22,944	17,944
Compensated absences	28,307	28,540	28,307	28,540	28,540
Net OPEB liability	103,775	30,866	-	134,641	-
Total	\$ 9,433,987	59,406	506,908	8,986,485	466,484
Business type activities:					
Compensated absences	\$ 1,846	1,911	1,846	1,911	1,911
	\$ 1,846	1,911	1,846	1,911	1,911

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, service and use tax revenue bonded indebtedness are as follows:

Bond Issue of June 22, 2009					
Year Ending June 30,	Interest Rates	Principal	Interest	Total	
2015	4.50	\$ 380,000	413,055	793,055	
2016	4.50	395,000	395,618	790,618	
2017	4.50	415,000	377,392	792,392	
2018	4.50	430,000	358,380	788,380	
2019	4.30	445,000	339,138	784,138	
2020	4.50	465,000	319,107	784,107	
2021	4.60	485,000	297,490	782,490	
2022	5.00	510,000	273,585	783,585	
2023	5.00	530,000	247,585	777,585	
2024	5.00	555,000	220,460	775,460	
2025	5.00	585,000	191,960	776,960	
2026	5.00	620,000	161,835	781,835	
2027	5.20	650,000	129,435	779,435	
2028	5.20	680,000	94,855	774,855	
2029	5.25	720,000	58,275	778,275	
2030	5.25	750,000	19,687	769,687	
Total		\$ 8,615,000	3,897,857	12,512,857	

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,695,000 of bonds issued in June, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$12,512,857. For the current year, \$365,000 of principal and \$429,818 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,045,418.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$803,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### Notes

Details of the District's June 30, 2014 Rural Economic Development loan indebtedness are as follows:

Note Issue of December, 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	0.00%	\$ 40,000	-	40,000
2016	0.00%	40,000	-	40,000
2017	0.00%	40,000	-	40,000
2018	0.00%	40,000	-	40,000
2019	0.00%	40,000	-	40,000
2020	0.00%	40,000	-	40,000
2021	0.00%	20,000	-	20,000
Total		\$ 260,000	-	260,000

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$722,228, \$683,918, and \$620,682, respectively, equal to the required contributions for each year.

#### **(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,884
Interest on net OPEB obligation	2,594
Adjustment to annual required contribution	(9,260)
Annual OPEB cost	44,218
Contributions made	(13,352)
Increase in net OPEB obligation	30,866
Net OPEB obligation beginning of year	103,775
Net OPEB obligation end of year	\$ 134,641

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 33,731	29.51%	\$ 48,086
June 30, 2012	36,529	33.03%	72,550
June 30, 2013	46,524	32.88%	103,775
June 30, 2014	44,218	30.20%	134,641

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$324,366, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$324,366. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,900,000, and the ratio of the UAAL to covered payroll was 4.1%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

**(8) Termination Benefits**

The District offered a voluntary early retirement plan for certified employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 was a \$20,000 cash benefit payable over four (4) annual installments of \$5,000 each. Option 2 was a \$20,000 cash benefit payable over five (5) annual installments of \$4,000 each. Early retirement benefits paid during the year ended June 30, 2014, totaled \$78,266.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$450,754 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Related Party Transactions**

The District had business transactions totaling \$15,014 between the District and District officials during the year ended June 30, 2014.

**(12) Commitments and Contingencies**

Two former employees have been charged with criminal charges and found guilty. The District had been named as a defendant in a related civil complaint; however, those charges were dismissed on December 15, 2014. The possibility of another suit being filed exists; however, any potential judgment is not expected to exceed insurance coverage and it is the opinion of management in consultation with legal counsel that the final settlement of this matter will not result in a material adverse effect on the financial position of the District.

**(13) Restatement**

The total beginning Net Position of government activities was decreased by \$7,546 due to a recalculation of prior year receivables and liabilities. The beginning General Fund balance was decreased by \$7,207 due to recalculation of prior year receivables and liabilities. The beginning PPEL Fund balance was decreased by \$339 due to a recalculation of prior year receivables.

**14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

### **Required Supplementary Information**

**Davis County Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2014**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 5,547,144	257,838	5,804,982	6,808,102	6,808,102	(1,003,120)
State sources	7,917,330	4,851	7,922,181	6,637,632	6,637,632	1,284,549
Federal sources	714,360	351,887	1,066,247	905,000	905,000	161,247
Total revenues	14,178,834	614,576	14,793,410	14,350,734	14,350,734	442,676
Expenditures:						
Instruction	8,407,237	-	8,407,237	8,810,300	8,810,300	403,063
Support services	3,944,425	-	3,944,425	3,788,300	3,888,300	(56,125)
Non-instructional programs	-	640,637	640,637	600,000	625,000	(15,637)
Other expenditures	1,374,732	-	1,374,732	1,498,482	1,498,482	123,750
Total expenditures	13,726,394	640,637	14,367,031	14,697,082	14,822,082	455,051
Excess (deficiency) of revenues over (under) expenditures	452,440	(26,061)	426,379	(346,348)	(471,348)	(897,727)
Other financing sources, net	65,748	-	65,748	-	-	(65,748)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	518,188	(26,061)	492,127	(346,348)	(471,348)	(963,475)
Balances beginning of year, as restated	3,772,844	454,163	4,227,007	3,326,330	3,326,330	(900,677)
Balances end of year	\$ 4,291,032	428,102	4,719,134	2,979,982	2,854,982	(1,864,152)

See accompanying independent auditor's report.

**(1) Basis of Presentation**

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, the District over-expended the support services functional area by \$56,125 and the non-instructional functional area by \$15,637. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$450,754 for the year ended June 30, 2014.



**Davis County Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2014**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2008	\$ -	345,459	345,459	0.0%	7,500,000	4.6%
2012	July 1, 2008	-	317,410	317,410	0.0%	7,600,000	4.2%
2013	July 1, 2012	-	340,152	340,152	0.0%	7,900,000	4.3%
2014	July 1, 2012	-	324,366	324,366	0.0%	7,900,000	4.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

## Schedule 1

**Davis County Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2014**

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 197,063	140,006	337,069
Receivables:			
Property tax:			
Delinquent	3,806	-	3,806
Succeeding year	300,001	-	300,001
Prepaid expense	-	46	46
<b>Total assets</b>	<b>\$ 500,870</b>	<b>140,052</b>	<b>640,922</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 5,304	7,901	13,205
Total liabilities	5,304	7,901	13,205
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	300,001	-	300,001
Total deferred inflows of resources	300,001	-	300,001
Fund Balances:			
Restricted for:			
Management levy purposes	195,565	-	195,565
Student activities	-	132,151	132,151
Total fund balances	195,565	132,151	327,716
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 500,870</b>	<b>140,052</b>	<b>640,922</b>

See accompanying independent auditor's report.

## Schedule 2

**Davis County Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2014**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 199,589	-	199,589
Other	225	261,709	261,934
State sources	108	-	108
Total revenues	199,922	261,709	461,631
Expenditures:			
Current:			
Instruction:			
Regular	73,002	-	73,002
Other	-	257,170	257,170
Support services:			
Administration	104,559	-	104,559
Operating and maintenance of plant	47,907	6,480	54,387
Transportation	15,269	-	15,269
Total expenditures	240,737	263,650	504,387
Excess (deficiency) of revenues over (under) expenditures	(40,815)	(1,941)	(42,756)
Fund balance beginning of year	236,380	134,092	370,472
Fund balance end of year	\$ 195,565	132,151	327,716

See accompanying independent auditor's report.

## Schedule 3

**Davis County Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2014**

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Senior High					
Yearbook	\$ 10,837	6,491	6,909	-	10,419
Concessions	5,791	27,469	31,560	-	1,700
Mustang Media	1,260	120	-	-	1,380
Mustang Pride Day	145	75	170	-	50
Athletics	3,747	66,949	66,922	-	3,774
Football	1,158	17,032	12,660	-	5,530
Baseball	1,993	1,228	1,046	-	2,175
Boys' Track	2,122	1,079	1,359	-	1,842
Wrestling	3,591	6,269	7,376	-	2,484
Cross Country	2,564	2,751	1,637	-	3,678
Girls' Basketball	1,667	2,612	2,050	-	2,229
Boys' Basketball	375	5,113	1,981	-	3,507
Girls' Softball	1,420	6,940	4,151	-	4,209
Girls' Track	5,032	5,320	5,899	-	4,453
Girls' Volleyball	2,698	676	968	-	2,406
Instrumental Music	1,655	10,028	7,511	-	4,172
Soda	1,963	1,059	1,714	-	1,308
Vocal Music	3,733	5,602	4,541	-	4,794
Speech	158	-	93	-	65
3 Act Play	1,909	1,530	334	-	3,105
Future Farmers of America	21,088	32,876	42,322	-	11,642
Quiz Bowl	23	-	-	-	23
National Honor Society	46	896	107	-	835
Cheerleading	6,807	13,292	8,576	-	11,523
Spanish Club	922	3	-	-	925
Student Council	1,456	435	740	-	1,151
Art Club	510	8,045	7,425	-	1,130
Girls' Tennis	1,357	125	1,155	-	327
Boys' Tennis	531	271	-	-	802
Class of 2011	6	-	6	-	-
Class of 2013	161	-	161	-	-
Class of 2014	1,992	665	2,252	-	405
Class of 2015	1,425	6,420	6,452	-	1,393
Class of 2016	423	1,139	64	-	1,498
Class of 2017	-	933	64	-	869
Future Educators of America	897	1,875	2,464	-	308
Girls' Golf	1,143	1,099	475	-	1,767
Octagon Club	30	-	-	-	30
High School Academics	86	523	103	-	506
HS Milk	1,774	-	1,774	-	-
HS Letter Jackets	45	314	359	-	-
IA Science Club	2,936	-	2,936	-	-
Boys' Golf	1,498	631	280	-	1,849
Subtotal	98,974	237,885	236,596	-	100,263

## Schedule 3

**Davis County Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2014**

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
<b>Middle School</b>					
Athletics	2,104	14,206	10,027	-	6,283
Vocal Music	5,862	1,263	864	-	6,261
Instrumental Music	919	-	37	-	882
Student Council	989	2,066	2,201	-	854
Yearbook	478	2,512	2,938	-	52
7th/8th Football	955	2,145	-	-	3,100
7th/8th Girls Basketball	5	-	-	-	5
7th/8th Boys' Basketball	61	-	-	-	61
Cross Country	161	-	-	-	161
Girls' Track	1,217	-	-	-	1,217
8th Volleyball	29	-	-	-	29
Wrestling	28	-	-	-	28
Student Council Pop Cans	179	-	179	-	-
Middle School Academics	8,138	192	2,337	-	5,993
Middle School Milk	4,535	-	4,535	-	-
Mutchler Rental	855	-	855	-	-
Gifted/Talented	3,618	406	-	-	4,024
Subtotal	30,133	22,790	23,973	-	28,950
<b>Bloomfield Elementary</b>					
Academics	4,525	624	2,300	-	2,849
Elementary Pop	230	-	230	-	-
Home School	60	410	381	-	89
Interest	170	-	170	-	-
Subtotal	4,985	1,034	3,081	-	2,938
Total	\$ 134,092	261,709	263,650	-	132,151

See accompanying independent auditor's report.

## Schedule 4

**Davis County Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2014**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,273,070	77,267	1,350,337
Receivables:			
Property tax:			
Delinquent	-	2,052	2,052
Succeeding year	-	100,610	100,610
Due from other governments	377,764	-	377,764
<b>Total assets</b>	<b>\$ 1,650,834</b>	<b>179,929</b>	<b>1,830,763</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	17,450	17,450
Total liabilities	-	17,450	17,450
Deferred inflows of resources			
Unavailable revenues:			
Succeeding year property tax	-	100,610	100,610
	-	100,610	100,610
Fund balances:			
Restricted for:			
Debt service	803,030	-	803,030
School infrastructure	847,804	-	847,804
Physical plant and equipment	-	61,869	61,869
Total fund balances	1,650,834	61,869	1,712,703
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,650,834</b>	<b>179,929</b>	<b>1,830,763</b>

See accompanying independent auditor's report.

## Schedule 5

**Davis County Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2014**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	98,647	98,647
Other	3,642	12,060	15,702
State sources	1,045,418	53	1,045,471
Total revenues	1,049,060	110,760	1,159,820
Expenditures:			
Support services:			
Instructional staff	74,643	52,521	127,164
Administration	29,346	3	29,349
Operation and maintenance of plant	-	7,200	7,200
Transportation	84,987	-	84,987
Other expenditures:			
Facilities acquisition	18,264	69,396	87,660
Total expenditures	207,240	129,120	336,360
Excess (deficiency) of revenues over (under) expenditures	841,820	(18,360)	823,460
Other financing sources (uses)			
Sale of equipment	-	-	-
Operating transfers in (out)	(841,605)	-	(841,605)
Total other financing sources (uses)	(841,605)	-	(841,605)
Change in fund balances	215	(18,360)	(18,145)
Fund balances beginning of year, as restated	1,650,619	80,229	1,730,848
Fund balances end of year	\$ 1,650,834	61,869	1,712,703

See accompanying independent auditor's report.



**Davis County Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,440,736	5,218,900	4,514,183	4,212,154	3,982,845	3,912,580	3,661,556	3,759,205	3,692,023	3,298,803
Tuition	703,278	646,647	648,017	556,696	426,341	450,219	476,889	523,010	600,186	560,369
Other	403,130	329,808	554,943	590,253	458,279	530,792	467,508	445,742	403,411	374,513
State sources	7,917,330	6,577,367	6,607,731	6,369,502	5,498,043	6,539,708	5,914,312	5,810,933	5,515,711	5,588,939
Federal sources	714,360	652,416	811,184	1,011,849	1,461,585	761,386	690,483	786,793	1,029,880	1,390,813
Total	\$ 14,178,834	13,425,138	13,136,058	12,740,454	11,827,093	12,194,685	11,210,748	11,325,683	11,241,211	11,213,437
Expenditures:										
Instruction:										
Regular	\$ 5,365,122	5,991,325	5,728,254	5,581,992	5,908,935	5,670,214	5,323,249	5,067,509	4,937,473	4,061,128
Special	1,150,259	1,446,052	1,610,050	1,275,892	1,457,209	1,430,994	1,393,701	1,234,633	1,385,202	2,012,697
Other	1,891,856	728,521	835,838	848,494	586,024	474,335	457,030	426,860	437,152	1,011,658
Support services:										
Student	255,205	269,932	281,174	270,702	265,204	261,647	300,165	283,987	257,427	275,258
Instructional staff	348,333	273,314	211,987	166,077	217,841	180,304	150,229	161,232	126,382	270,315
Administration	1,522,048	1,461,693	1,458,682	1,542,486	1,436,589	1,432,204	1,474,623	1,413,251	1,436,205	1,264,451
Operation and maintenance of plant	991,232	954,957	905,301	912,164	996,407	718,539	723,406	691,604	619,083	617,424
Transportation	827,607	789,594	756,157	670,746	785,356	789,870	919,032	805,241	709,096	619,903
Food service operations	-	-	-	-	-	-	-	-	3,690	8,241
Other expenditures:										
Facilities acquisition	87,660	73,366	119,190	3,344,398	5,521,775	793,262	252,576	363,879	684,979	1,169,972
Long-term debt:										
Principal	405,000	320,000	285,000	170,000	-	255,000	250,000	245,000	245,000	240,000
Interest and other charges	431,318	445,830	458,093	468,630	248,108	172,939	14,527	20,138	25,620	29,990
AEA flowthrough	450,754	430,125	417,367	460,092	456,463	422,045	395,919	371,339	355,258	355,649
Total	\$ 13,726,394	13,184,709	13,067,093	15,711,673	17,879,911	12,601,353	11,654,457	11,084,673	11,222,567	11,936,686

See accompanying independent auditor's report.

## Schedule 7

**Davis County Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 14	\$ 59,024
National School Lunch Program	10.555	FY 14	276,105
Summer Food Service Program For Children	10.559	FY 14	16,608
			<u>351,737</u>
Team Nutrition Grant	10.574	FY 14	<u>150</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 14	<u>451,057</u>
Career and Technical Education - Basic Grants to States	84.048	FY 14	<u>28,056</u>
Rural Education Achievement Program	84.358	FY 14	<u>21,924</u>
Title IIA - Federal Teacher Quality Program	84.367	FY 14	<u>72,723</u>
Grants for State Assessments and Related Activities	84.369	FY 14	<u>6,716</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 14	<u>56,582</u>
Reading Is Fundamental:			
Fund For The Improvement of Education	84.215	FY 14	<u>859</u>
Total			<u>\$ 989,804</u>

See Notes to Schedule of Expenditures of Federal Awards.

**Davis County Community School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Davis County Community School District for the year ended June 30, 2014. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of states, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Significant Accounting Policies**

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measureable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**Note 3. Noncash Assistance**

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$57,155 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.

**Note 4. Federal Loan Outstanding**

The District participates in the following loan program for which payments are not required to be included on the schedule of expenditures of federal awards.

<u>CFDA #</u>	<u>Program</u>	<u>Outstanding Balance</u> <u>As of June 30, 2014</u>
10.854	Rural Economic Development Loan	\$260,000

**Davis County Community School District**



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of  
Davis County Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Davis County Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Davis County Community School District's Responses to Findings

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Davis County Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 31, 2014



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**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Education of Davis County Community School District:

### Report on Compliance for Each Major Federal Program

We have audited Davis County Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Davis County Community School District's major federal programs for the year ended June 30, 2014. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Davis County Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Davis County Community School District's compliance.

### Opinion on Each Major Federal Program

In our opinion, Davis County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### Report on Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Davis County Community School District's internal control over compliance with type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in

the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 31, 2014



**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Davis County Community School District qualified as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-14      Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the amended certified budget amounts in the support services and non-instructional functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-14      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14      Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Lynch, Brother to Board Member Rod Lynch Lynch Law Office	Legal Services	\$8,428
Doug Dixon, Board Member Mind's Ear Music	Services	500
Don Huggins, Brother-in-law of Director of Support Services Dan Roberts Huggins Electric	Electrical Services	6,086

Recommendation - The District may want to consult legal counsel to determine disposition whether any of these transactions are in violation of the Code of Iowa.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

IV-E-14      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-14      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

**Davis County Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

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IV-G-14      Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.

Recommendation – The certified enrollment data should be corrected.

Response – We will attempt to correct certified enrollment errors in the future.

Conclusion – Response accepted.

IV-H-14      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-14      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-14      Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14      Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,650,619
Revenues/transfers in:			
Sales tax revenues	\$	1,045,418	
Other local revenues		3,642	1,049,060
			<hr/> 2,699,679
Expenditures/transfers out:			
School infrastructure construction		18,264	
Equipment		188,976	
Transfers to other funds:			
Debt service funds		841,605	1,048,845
			<hr/>
Ending balance		\$	<u>1,650,834</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.